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May 12, 2009

AGENDA ITEM 7a

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. SUBJECT:** Release of Pharmacy Benefits Manager Request for Proposal
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Staff recommends the Committee approve the issuance of Pharmacy Benefits Manager (PBM) Request for Proposal (RFP).

IV. BACKGROUND:

CalPERS contracts with Medco Health Solutions, Inc. (Medco) to provide Pharmacy Benefits Manager (PBM) services to CalPERS members with Preferred Provider Organization (PPO) health plans. This agreement will expire on December 31, 2010, and CalPERS intends to undertake the bidding process for a new pharmacy contract to be effective January 1, 2011.

Staff is preparing a request for proposal (RFP) for a PBM for CalPERS' Self-Funded Plans' prescription drug program, with an alternative to include the non-Kaiser Health Maintenance Organization (HMO) population as well.

V. ANALYSIS:

With Board approval, the PBM RFP will be released in June, 2009. The Proposed Timeline for the RFP process is provided in Attachment 1. Staff has engaged Mercer to assist with the RFP preparation and some elements of the analysis.

The goal of the RFP is to pursue current advantageous changes in the PBM competitive marketplace with an increased focus on total healthcare management.

Attachment 1: Illustrates the proposed timeline for the RFP.

VI. STRATEGIC PLAN:

This agenda item relates to Strategic Goal X: Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers.

VII. RESULTS/COSTS:

Staff anticipates the cost incurred on the Pharmacy RFP to be recovered through additional pricing advantages and efficiencies.

Ellen Badley, Chief
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Attachment